

# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

November 4, 2003

### Republican Policies Have Failed the American Economy

The strong third quarter GDP numbers released last week were welcome news, and all Americans hope that they signal the beginning of a strong and sustained economic recovery. At the same time, this one quarter of strong economic growth has not translated into the job creation that ordinary Americans have been hoping for. We also remain concerned about the costs of the Administration's economic policies, which have created huge budget deficits which will undermine our long-term economic strength. In all, this Administration's economic track record to date remains a disappointment in terms of job creation, economic growth, new business investment, and the trade deficit. Since the President took office:

- ▶ The economy has lost 3.2 million private-sector jobs, the worst record of any president since the Great Depression. The total job count fell for seven consecutive months earlier this year.
- ▶ The unemployment rate has risen from 4.1 percent to 6.1 percent — excluding the most recent four months, this is the highest unemployment rate since July of 1994. The number of unemployed has risen from 6.0 million to a total of 9.0 million unemployed workers.
- ▶ Real GDP growth has averaged 2.1 percent, which aside from the first President Bush, is the worst record for any President since the Great Depression.
- ▶ Real business investment has fallen 6.6 percent, the worst record for any Administration since World War II.
- ▶ Consumer confidence has fallen 29.9 percent since January 2001.
- ▶ Approximately \$4.6 trillion in stock market wealth has evaporated.
- ▶ The trade gap has increased by almost \$100 billion under this Administration, going from an annual rate of \$396 billion to \$489 billion.
- ▶ The ten-year projected federal budget surplus of \$5.6 trillion has been wiped out. The Administration now proposes a budget that would be more than \$2 trillion in deficit over the same time period — even without the cost of extending the tax cuts or other significant priorities, such as military operations in Iraq.

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## The Bush Economic Record

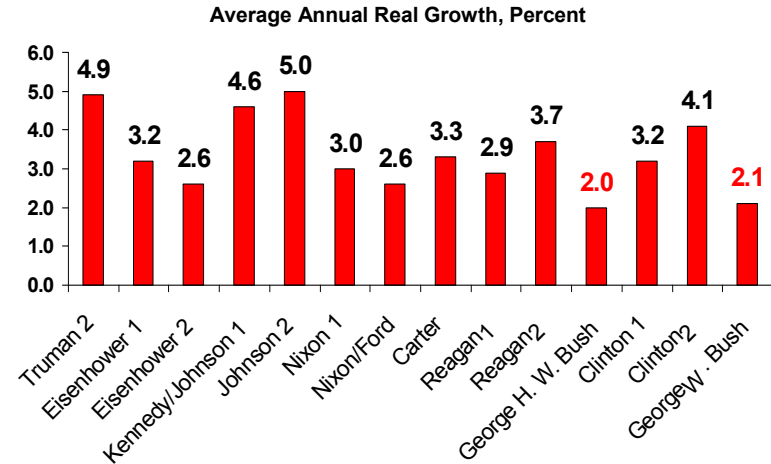
- The private sector has shed **3.2 million jobs** since January 2001, the worst record for any President since the Great Depression.
- Long-term unemployment has **almost tripled**.
- Real GDP growth has averaged **2.1 percent**, the worst record (after the first President Bush) for any President since World War II.
- Real business investment has fallen **6.6 percent** since the President was inaugurated, the worst record for any President since World War II.
- The trade gap has increased by **almost \$100 billion**.

Prepared by the Democratic Staff of the House Budget Committee

updated 11/03/03

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## Bush Has Second-Worst GDP Growth Since WWII



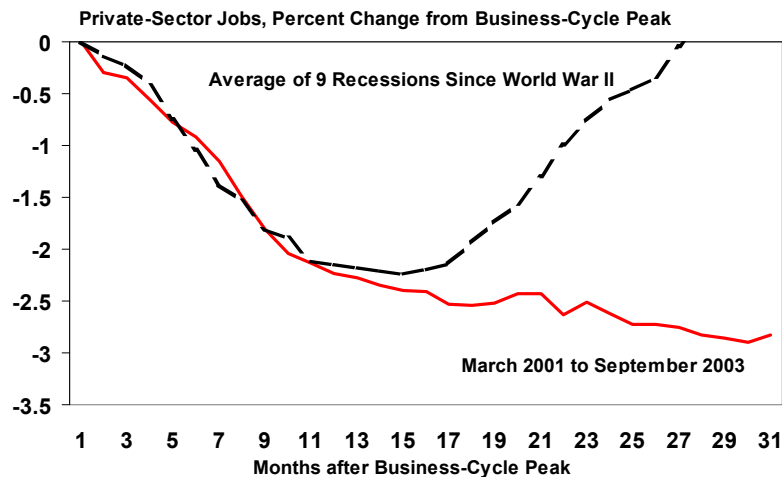
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Source: U.S. Department of Commerce

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## The Job-Loss Recovery



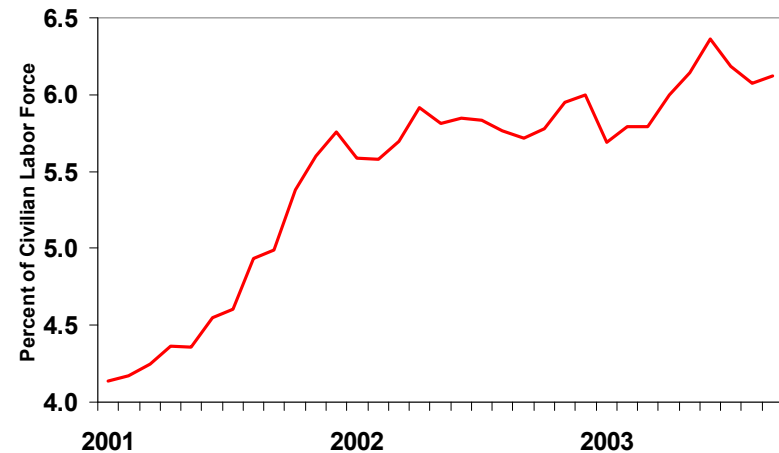
Prepared by the House Budget Committee Democratic Staff

Source: U.S. Department of Labor

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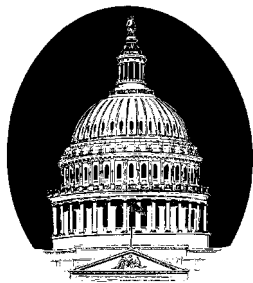
## Unemployment Rate



Prepared by the House Budget Committee Democratic Staff

Source: U.S. Department of Labor

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### The Budget Outlook is Rapidly Deteriorating

***Budget Continues to Deteriorate*** — Since May 2001, every successive CBO forecast has projected lower surpluses and higher deficits than the previous one. The budget problem continues to worsen, and the Administration still offers no plan to return the budget to balance. Instead, the President's *Mid-Session Review* calls for \$878 billion in additional tax cuts over the next decade.

***Largest Deficits in History*** — CBO's projections show the largest deficits in American history. The 2003 unified deficit was \$374 billion, with a non-Social Security deficit of \$535 billion. For 2004, CBO projects mounting deficits — a \$480 billion unified deficit and a \$644 billion on-budget deficit — even if the economy recovers.

***True Extent of Deficit Problem Even Worse Than CBO Numbers*** — As bad as the CBO numbers are, they do not include the following likely costs:

- Medicare prescription drug coverage
- Repeal of sunsets of various expiring tax cuts
- Fixing the growing problem of the Alternative Minimum Tax (AMT), and
- Addressing natural disasters like hurricanes, wildfires, tornadoes, floods, and earthquakes

***More Realistic Estimates Show Stunning Fiscal Reversal*** — Taking account of the cost of items that CBO cannot include in its baseline estimates yields an even more discouraging picture.

- The cumulative budget over 2002-2011, which was a \$5.6 trillion surplus when President Bush took office, has deteriorated to a \$3.5 trillion deficit — a swing of over \$9 trillion.
- On a year-by-year basis, the unified budget remains in deficit by at least \$327 billion in perpetuity.
- Excluding Social Security, annual deficits exceed \$538 billion in perpetuity.
- Excluding Social Security, the deficit for 2004 is 5.9 percent of Gross Domestic Product (GDP), a level exceeded only once since World War II.

## Surplus Declines \$9.1 Trillion Under Administration's Policies

Projected Unified Budget Surplus, Trillions of Dollars

	2002-2011
January 2001	5.610
August 2001	3.397
January 2002	1.601
August 2002	0.336
March 2003	-0.377
August 2003	-2.327
Republican Agenda	-3.529

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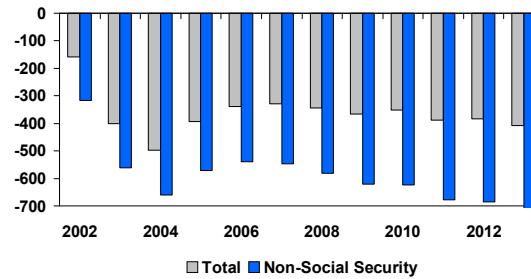
Source: CBO, HBC Democratic Estimates

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## Grim Budget Outlook Under Republican Policies

Federal Deficit or Surplus, Billions of Dollars



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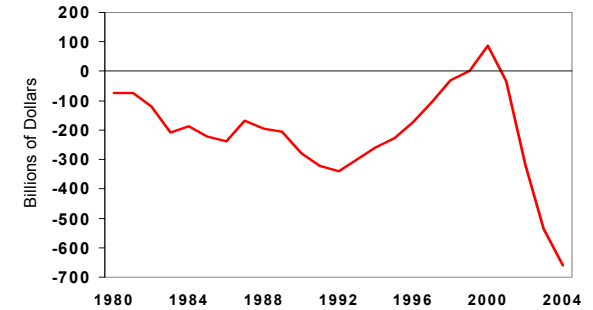
Source: CBO, HBC Democratic Estimates

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## The Largest Deficit in American History

Federal Surplus or Deficit Excluding Social Security



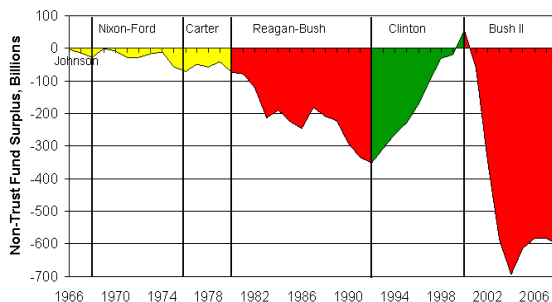
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## A Fiscal Opportunity Lost

Total Surplus or Deficit without Social Security or Medicare Trust Fund Surpluses



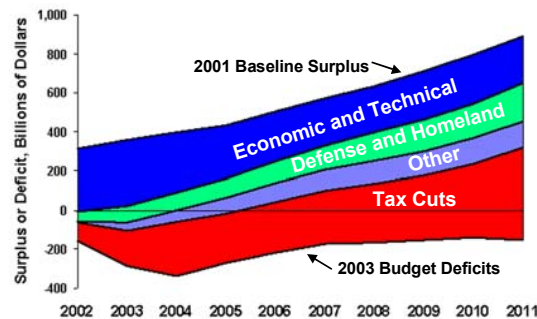
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Source: HBC Democratic Estimates

08/22/03

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## Republican Tax Cuts Keep Budget in Deficit



Sources: CBO 2001 Budget and Economic Outlook, 2003 Re-Estimate of the President's Budget

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## RHETORIC:

"See, I ran for office to solve problems, not to pass them on to future Presidents and future generations."

President Bush at a Fundraiser in Oregon, August 21, 2003

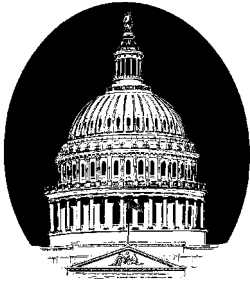
## REALITY:

Instead of paying off the public debt by 2011 as President Bush projected, this Administration will leave to future generations a debt of \$7.0 trillion as of 2011.

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### **Republican Policies Are the Cause of the Budget Problem, Not the Solution**

***Tax Cuts Caused The Long-Term Deficits*** — The Bush Administration and Congressional Republicans have sought to deny the role that their own policies have played in producing this massive fiscal reversal. But the fact is, based on CBO's evaluation of the President's Budget in March, the budget would be balanced by 2006 if it were not for the Administration's tax cuts.

***Administration Policies Dig the Hole Deeper*** — As bad as our budget situation is, the Administration proposes to dig the deficit hole still deeper, proposing more fiscally irresponsible tax cuts. The Administration has already proposed to make permanent most of the tax cuts passed in 2001 and 2003, to the tune of \$878 billion in additional tax cuts.

***Strong Economic Growth Already Assumed*** — While the Administration claims that strong economic growth is the solution to the budget deficit problems, the dismal projections of both CBO and the Administration already assume strong economic growth of over 3 percent annually over the next five years. Even after the 7.2 percent growth in the third quarter of 2003, real GDP has inched up at only a 2.1 percent annual rate so far in this Administration, the second-worst record in over 50 years. It is unrealistic to assume that tax cuts would spur sustained growth exceeding 3 percent annually during the next five years.

***Long-Term Deficits Bad for Economic Growth*** — Despite the Administration's insistence that deficits are not worrisome, mainstream economists disagree — they believe that structural long-term deficits of the type proposed by the Administration (as contrasted with cyclical short-term deficits) will slow economic growth over the long run.

***Republicans' Long-Term Deficits Are Bad for Business and Hurt Chances of Sustained Economic Growth*** — Business organizations, like the respected Committee for Economic Development, have criticized Republicans' relentless tax cutting because sustained budget deficits hurt the economy. As long as government borrowing is perceived as out of control, businesses will hesitate to make new investments and households will hold back on major financial commitments.

***Current Budget Path Leads to Serious Consequences*** — The country cannot sustain substantial deficits indefinitely. If we continue to run deficits of the magnitude proposed by the Administration, the shortfalls eventually will have to be eliminated by one or more unpalatable policy choices, which could include substantial cuts to key government services such as Social Security.

## Bush Agenda

Non-Social Security Deficit, Billions of Dollars

	2004	2013	'04-'13
CBO August Baseline	-644	-105	-3,833
Bush Defense Increase	0	-38	-212
Adjustment to War Cost	-10	75	490
Extend Tax Cuts	-3	-312	-1,132
Fix Alternative Minimum Tax	0	-149	-712
Medicare Prescription Drugs	-3	-85	-484
Additional Debt Service	0	-108	-338
<b>Resulting Deficits</b>	<b>-660</b>	<b>-723</b>	<b>-6,221</b>
<b>Resulting Gross Debt</b>	<b>7,481</b>	<b>14,164</b>	n/a

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Source: CBO, HBC Democratic Estimates

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## The Bush Administration's \$4.7 Trillion Tax Agenda

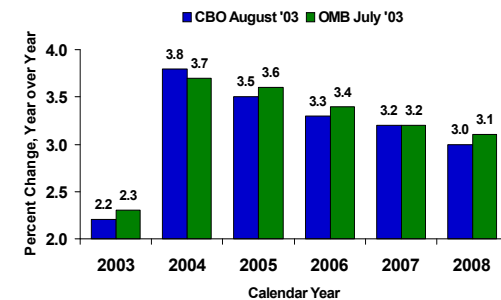
	2001 – 2013
2001 Tax Cut	\$1.349 Trillion
March 2002 Stimulus Package	\$0.042 Trillion
January 2003 "Growth" Package	\$0.748 Trillion
Other Tax Cuts in Budget	\$0.843 Trillion
Protect Middle Class from AMT	\$0.681 Trillion
<b>Direct Effect of Bush Agenda</b>	<b>\$3.663 Trillion</b>
+ Increased Debt Service	\$1.000 Trillion
<b>TOTAL IMPACT ON DEFICIT</b>	<b>\$4.663 Trillion</b>

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## Budget Projections Already Assume Strong Growth



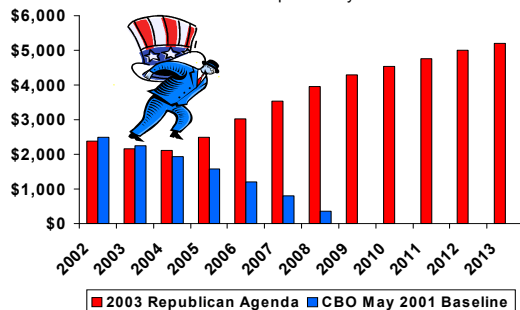
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## Republican Policies Continue and Raise the Debt Tax

Federal Net Interest per Family of Four



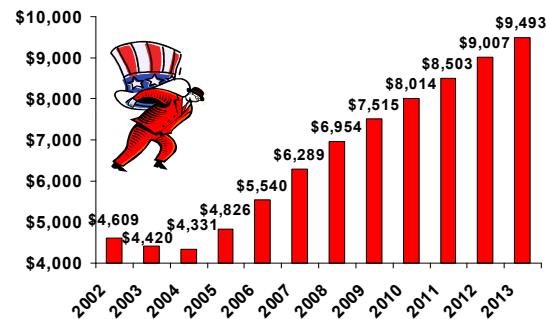
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## Republican Policies Raise the Debt Tax

Federal Gross Interest per Family of Four



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## Republican "Job Creation" Math

\$684 Billion in Tax Cuts and Interest Through 2004

÷ 2.0 Million New Jobs (Treasury Secretary estimate)

= \$342,068 Cost Per Job

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